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SUBJECT: ZIMBABWE'S BALANCE OF PAYMENTS' OUTLOOK IS  
GRIM

SENSITIVE BUT UNCLASSIFIED, PLEASE PROTECT ACCORDINGLY.  
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¶1. (SBU) A shrinking economy (GDP has declined by about 25 percent since 1998), land resettlement, high inflation, an artificially pegged currency and weak mineral prices have combined recently to cause Zimbabwe's exports to contract sharply, with the 2001 total down about 30 percent from their peak in 1997. With export earnings down so steeply and economic conditions so bad, the current food shortage could probably not have come at a worse time. There are simply no Zimdollars in the budget, nor forex in the central bank, to buy food, the country's offshore credit standing is non-existent, the development aid tap is turned off, and its external arrears currently exceed US \$1.3 billion. The chart below provides gross trade data for last year and our best projections on trade flows for 2002.

Top Export Categories (US\$ millions)

	2001 Earnings	2002(Estimate)
Tobacco	\$643 (see note)	\$465
Manuf'd Exports	\$534.7	\$420
Gold	\$166	\$140
Other Mineral	\$174	\$150
Horticulture	\$68	\$52
Other Agricultural	\$62	\$50
Tourism/Hunting	\$28	\$18
Gross Exports	\$1,748	\$1,034
For.Dir. Investment	\$5.4	\$0 (negative?)

Note: (Previous Tobacco Earnings: 2000-\$400.4, 1999-\$334.5)

Top Import Categories (US\$ millions)

	2001 Outlay	2002(Estimate)
Manufactured Goods	\$1,495	\$1,125
Fuel	\$300	\$240
Chemicals	\$130	\$100
Electricity	\$90	\$75
Food	\$45	\$450
Debt Service (est'd)	\$200	\$200
Gross Imports	\$2260	\$2,190
Gross Trade Surplus/(Deficit)	(\$507)	(\$1,156)

¶2. (SBU) The data, which is admittedly very rough and should be viewed as indicative, shows a gross shortfall last year of about US half a billion dollars, and an estimated shortfall in 2002 of about \$1.2 billion. (The foreign arrears account provides a quick proxy check on these calculations; at year-end 2000 it was about US \$800 million, and at year-end 2001 it was about \$1.3 billion, an increase of \$500 million.) The very large balance-of-payments shortfall means that Zimbabwe has absolutely no chance of paying for necessary food imports, unless it strips the hard currency out of the economy, which will further damage it and accelerate the decline of GDP.

¶3. (SBU) Comment: This very basic analysis shows that Zimbabwe's economic woes are set to worsen, likely

drastically and quickly. Under a worst case scenario and if current trends are not reversed, in the span of five years starting at the end of 1998 the ZANU-PF leadership may very well succeed in halving Zimbabwe's GDP, dropping per capita income from the US \$400 range to the \$200 range. This would place Zimbabwe on par with the likes of Laos, Togo, Bangladesh and Senegal. Whites in Zimbabwe constitute about 0.6 percent of the population, and about a third of those are commercial farmers. Claiming that he is correcting injustices of race and land, Mugabe appears willing to inflict astounding damage on his black countrymen and their economic inheritance for his own self-interest. This is the unfortunate stuff of legend. End Comment.

WHITEHEAD